

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 EB-08 ISO-00 SIG-01 MMO-01 AF-10 ARA-10

EA-10 EUR-12 NEA-10 IO-13 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-01 PA-01 PRS-01 /141 R

DRAFTED BY TREASURY:BNEWMAN

APPROVED BY EB/IFD/OMA:JABWINDER

TREASURY:FWIDMAN

-----064519 260522Z /15

R 252151Z AUG 77

FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

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E.O. 11652: N/A

TAGS: EFIN, IMF

SUBJECT: STATUS OF IMF SUPPLEMENTARY FINANCING FACILITY

1. THE FOLLOWING IS FOR INFORMATION OF MISSIONS AND FOR GUIDANCE FOR RESPONSE TO INQUIRIES FROM HOST OFFICIALS.

2. DISCUSSIONS HAVE BEEN UNDERWAY FOR SEVERAL MONTHS ON A PROPOSAL BY THE MANAGING DIRECTOR OF THE IMF TO INCREASE TEMPORARILY THE FUND'S RESOURCES THROUGH THE ESTABLISHMENT OF THE SUPPLEMENTARY FINANCING FACILITY ("WITTEVEEN FACILITY"). THE NEW FACILITY WOULD BE FINANCED BY SEVERAL OIL EXPORTING AND MAJOR INDUSTRIAL COUNTRIES. THE FUNDS THEY PROVIDE WOULD BE USED TO PROVIDE ADDITIONAL RESOURCES TO MEMBER COUNTRIES EXPERIENCING BALANCE-OF-PAYMENTS FINANCING NEEDS WHICH ARE LARGE RELATIVE TO THEIR ECONOMIES

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AND THUS TO THEIR REGULAR ACCESS TO IMF RESOURCES. THE U.S. HAS STRONGLY SUPPORTED THESE EFFORTS AND IS PLEASED THAT AGREEMENT HAS BEEN REACHED ON ARRANGEMENTS WHICH ARE EXPECTED TO PROVIDE UP TO ABOUT SDR 8.6 BILLION (ABOUT \$10 BILLION) IN ADDITIONAL RESOURCES TO THE IMF. (THE PROPOSED U.S. SHARE IS SDR 1,450 MILLION, ABOUT \$1.7 BILLION.) WE BELIEVE THIS AMOUNT, WHEN ADDED TO EXISTING AND ANTICIPATED

IMF FUNDS, IS SUFFICIENT TO MEET OFFICIAL BALANCE-OF-PAYMENTS FINANCING REQUIREMENTS IN THE PERIOD AHEAD AND THUS STRENGTHEN CONFIDENCE IN THE INTERNATIONAL MONETARY SYSTEM.

3. THE IMF EXECUTIVE BOARD HAS REACHED TENTATIVE AGREEMENT ON DETAILS OF THE FINANCING ARRANGEMENTS AND THE TERMS AND CONDITIONS FOR USE OF THE SUPPLEMENTARY FINANCING FACILITY, AND IS EXPECTED TO COMPLETE ACTION IN LATE AUGUST. SUBSEQUENTLY, THE UNITED STATES AND POSSIBLY OTHER MEMBERS PARTICIPATING IN THE FINANCING ARRANGEMENT WILL HAVE TO OBTAIN LEGISLATIVE AUTHORIZATION. RATIFICATION BY THE U.S. AND ALL OTHER MAJOR PARTICIPATING COUNTRIES (I.E., THOSE WITH COMMITMENTS OF SDR 500 MILLION OR MORE), AND BY COUNTRIES WITH COMMITMENTS TOTALING AT LEAST SDR 7 3/4 BILLION, WILL BE REQUIRED BEFORE THE FACILITY IS ACTIVATED. OUR CURRENT EXPECTATIONS ARE THAT U.S. LEGISLATION WILL BE SUBMITTED TO CONGRESS IN SEPTEMBER, THAT HEARINGS WILL BE HELD PRIOR TO THE CONGRESSIONAL ADJOURNMENT IN THE FALL, AND THAT FINAL ACTION WILL BE COMPLETED EARLY NEXT YEAR. CHRISTOPHER

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009